THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Following the *sub-prime* crisis in US, steps have been taken to monitor the impact of the banking crisis of USA on Indian banks on regular basis. Against the backdrop of the *sub-prime* crisis, RBI initiated a series of meeting with 15 major banks in the month of September 2007, so as to assess its impact on Indian banks and take necessary remedial measures. It was observed that none of the Indian banks and foreign banks (in respect of their operations in India) with whom discussions were held, had any direct exposure to the *sub-prime* mortgage markets in the US and other markets, and hence no direct impact could be seen. However, some of the Indian banks with overseas operations had suffered Marked-to-Market (MTM) losses on account of the exposure of their foreign offices to credit derivatives and investments.

These valuation losses were caused by the crisis in the global credit markets as a result of widening of credit spreads in the wake of the *sub-prime* crisis. All the public sector banks having overseas operations have reported 'nil' credit losses as on 30th September, 2008.

(c) and (d) In response to the evolving global and domestic developments, Government and RBI have taken a number of measures since mid-September 2008 to augment domestic and forex liquidity and to enable banks to continue to lend for productive purposes, while maintaining credit quality so as to sustain the growth momentum. Government and RBI have issued a series of Press Releases indicating the measures taken by them, which are available at websites of Government of India *(www.pib.nic.in)* and RBI *(www.rbi.org.in)*. Government and RBI continue to closely monitor the developments in the global and domestic financial markets and will take swift and effective action as appropriate.

Economic recession

1616. SHRI SHANTARAM LAXMAN NAIK : Will the PRIME MINISTER be pleased to state :

(a) whether it is a fact that India's economy may undergo recessionary trends affected by similar trends, world over;

(b) if so, the steps Government proposes to take in this regard;

(c) the steps already taken, if any, so far; and

(d) the details as regards the impact created by the steps taken by Government?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) With increasing globalisation of the Indian economy, the global financial crisis impacts the domestic economy through trade and financial channels. The macro effect of the global crisis on the domestic economy has however been muted. Though there has been a moderation in growth with Gross Domestic Product at constant prices growing at 7.8 per cent during April- September of 2008-09 as compared to a growth of 9.3 per cent in the corresponding period of 2007-08, the growth potential of the economy as determined by the savings and investment ratios, is robust.

(c) and (d) To safeguard the economy against adverse impact of the global financial crisis, the Reserve Bank of India has taken measures *inter-alia* for reduction in Cash Reserve Ratio and Statutory Liquidity Ratio, reduction in repo and reverse repo rates and for liberalising access to

external commercial borrowings. The Government has announced a fiscal package which includes additional plan expenditures, reduction in the ad valorem Cenvat rate and measures to support exports. These measures have ensured the effective functioning of the financial system and improvement in liquidity in the money market.

Status of State Maritime Boards

1617. SHRI NATUJI HALAJI THAKOR :
SHRI KANJIBHAI PATEL :
Will the PRIME MINISTER be pleased to state:

(a) whether the status of State Maritime Boards has been excluded from the definition of local authority under the Finance Act, 2003;

(b) if so, the reason therefor;

(c) whether some of the States have made representations to Government for waiving of Income Tax from the State Maritime Boards?

(d) if so, the reaction of Government thereto; and

(e) whether Government would consider the State Maritime Boards as "Local Authority" since it is a public utility organization and has no motive to earn profit?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Vide Finance Act, 2002, definition of "local authority" under clause (20) of section 10 was made restrictive so as to include Panchayats, Municipalities, Municipal Committee and District Boards and Cantonment Boards only. This amendment was made effective from 1st April, 2003. Entities like State Maritime Boards thus went outside the scope of exemption available under that section.

(b) The above amendment was based on the recommendation of Advisory Group on Tax Policy and Tax Administration for the Tenth Plan which had suggested deletion of exemption provided under section 10(20) of the Income-tax Act. The restrictive definition was adopted considering the need to phase out exemptions consistent with a moderate tax regime. However, exemption in the case of Panchayats, Municipalities, Municipal Committee etc. was retained as they are local self-government institutions.

(c) Yes, Sir.

(d) The request was examined and not found feasible.

(e) The restrictive definition of the term 'local authority' was adopted considering the need to phase out exemptions while moving towards a moderate tax regime. Policy imperatives currently being the same, revival of exemption to State Maritime Boards is not under consideration.

Budgetary allocation for development schemes

1618. SHRI MOINUL HASSAN: Will the PRIME MINISTER be pleased to state:

(a) the per capita budgetary allocation in 2003-04 and 2008-09 on Sarva Shiksha Abhiyan, Mid-day Meal Scheme, Integrated Child Development Scheme and Rural Employment Schemes each separately; and